

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

IN RE APPLICATION OF: Douglas J. Toth

TITLE: Strap Connecting Buckle

PATENT NO.: 6,463,640

FILING DATE: Jan. 13, 2000

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Mail Stop Petitions
Commissioner for Patents
P.O. Box 1450
Alexandria, Virginia 22313-1450

RESPONSE TO THE REQUEST FOR FURTHER INFORMATION

OF FEBRUARY 29, 2012

Dear Sir:

Atomic Aquatics, LLC (“Petitioner”, “Atomic Aquatics” or just “Atomic”), the present assignee of U.S. Patent No. 6,463,640 (the “Subject Patent”) now answers the Decision on Petition and Second Request for Information (hereinafter the “Decision”) mailed by the U.S. Patent and Trademark Office (hereinafter the “Patent Office”) on February 29, 2012. The Decision did not state a deadline for a response. 37 CFR 1.134 sets forth a maximum period of six months for a “reply to an office action”, however that appears to apply only to the examination of applications. There being no other locatable statute or regulation that would seem to set forth a deadline, the Petitioner assumes that a reasonable time is granted for a reply, for which this Reply meets. If that is deemed to be incorrect, please contact Mr. Robinson as soon as possible so that a petition under 37 CFR 1.183 for a suspension of the rules can be made. Please also direct all future correspondence to the Petitioner's present representative of record. Thank you.

The Subject Patent is one of a group of four lapsed patents consisting of U.S. Pat. Nos. 5,803,073; 5,678,541; 6,463,640; and 6,761,163 (hereinafter the “Subject Group”) for which the Patentee is petitioning for reinstatement under similar grounds. Where references to exhibits appear in the text below, these refer to the exhibits presented in the Petitioner's prior Supplemental Petition for Reinstatement filed December 15, 2011.

The Petitioner now proceeds with its response. Where reference is made to exhibits, these are the exhibits filed with Petitioner's Supplemental Petition of Dec. 14, 2011.

I. SUMMARY OF APPLICABLE STANDARD

The Decision of Feb. 15, 2011 on page 2 recounts the “reasonably prudent person standard” used in *In re Muttullath* (38 App. D.C. 497, 514-15 (1912)), that applies to the revival of a patent for failure to pay maintenance fees under the “unavoidable standard”:

The word ‘unavoidable’ . . . is applicable to ordinary human affairs, and requires no more or greater care or diligence than is generally used and observed by prudent and careful men in relation to their most important business. It permits them in the exercise of this care to rely upon the ordinary and trustworthy agencies of mail and telegraph, worthy and reliable employees, and such other means and instrumentalities as are usually employed in such important business. If unexpectedly, or through the unforeseen fault or imperfection of these agencies and instrumentalities, there occurs a failure, it may properly be said to be unavoidable, all other conditions of promptness in its rectification being present.

In other words, the applicable standard allows patent-holders to use employees and services who are apparently “worthy and reliable”, and allows for correction where there is an unexpected or unforeseen fault. Recounting the Petitioner's statement in his last petition, the policy of the U.S. Patent and Trademark Office regarding revival under 37 CFR § 1.378 has been made clear through the course of many decisions, including that of *In re Tan*, Pat. No. 5,290,273, decided about Mar. 7, 2008. (See Exhibit T.) Quoting from page 4 of *Tan*:

The Office must rely on the actions or inactions of duly authorized and voluntarily chosen representatives of the applicant, and the applicant is bound by the consequences of those actions or inactions. Specifically, a petitioner's delay caused by the mistakes of negligence of his voluntarily chosen representative does not constitute unavoidable delay within the meaning of 35 U.S.C. § 133.

The actions of the attorney are imputed to the client, for when a petitioner voluntarily chooses an attorney to represent him, the petitioner cannot later avoid the repercussions of the actions or inactions of this selected representative, for clients are bound by the acts of their lawyers/agents, and constructively possess “notice of all facts, notice of which can be charged upon the attorney.”

“Courts hesitate to punish a client for its lawyer's gross negligence, especially when the lawyer affirmatively misled the client,” but “if the client freely chooses counsel, it should be bound to counsel's actions.”

“Presuming for the purposes of discussion that it was an act/omission of Counsel that contributed to any of the delay herein, the act(s) or omissions of the attorney/agent are imputed wholly to the applicant/client in the absence of evidence that the attorney/agent has acted to deceive the client.”

Speaking generally, the Patent Office holds patentees accountable for the representatives they choose. As stated in the text above, this is upon a theory that a patentee is provided with sufficient information to voluntarily choose his agent/representative before the Office, and that it is he that should bear the consequences if he makes a poor choice. Tan also expresses the policy that even where an attorney “affirmatively misled” a client out of gross negligence, that is still not a sufficient showing to revive a patent. But where an attorney “has acted to deceive the client”, and it was an act or omission of that attorney that was the cause of the delay, that is beyond the gross negligence standard.

The Patent Office excuses patentees that are not provided with the information necessary to select their representative due to deception on the part of the practitioner:

Presuming for the purposes of discussion that it was an act/omission of Counsel that contributed to any of the delay herein, the act(s) or omissions of the attorney/agent are imputed wholly to the applicant/client in the absence of evidence that the attorney/agent has acted to deceive the client. (See Exhibit T pgs. 4-5.)

In re Lonardo, 17 USPQ2d 1455 (Comm'r Pat. 1990): “When an attorney intentionally conceals a mistake he has made, thus depriving the client of a viable opportunity to cure the consequences of the attorney's error, the situation is not governed by the rule stated in Link for charging the attorney's mistake to his client. (See Exhibit S, footnote 10 on pg. 3 and Exhibit T, footnote 13 on page 5.)

Even though a patentee may be able to show that its delay was caused by attorney deception, the patentee is still required to show that it acted reasonably and responsibly to keep a patent maintained.

II. THE POSITION OF THE OFFICE

The Petitioner now summarizes the position of the Office according to its understanding, in light of the Decision, and proceeds on the basis that the following points are concluded:

1. That the Office is primarily interested in the time period between January 1, 2005 and November 1, 2010 (hereinafter the “Critical Period”), and that the Petitioner was sufficiently diligent to maintain the Subject Patent prior to and following the Critical Period for reinstatement.
2. That Leonard Tachner (hereinafter “Tachner”) was hired as the Petitioner's attorney in several matters before the Patent Office, including that of the Subject Patent prior to issuance.
3. That Tachner was hired to provide services to keep maintenance fees docketed for the Subject Patent, and to provide notice to the Petitioner when maintenance fees were due.
4. That during the Critical Period, Tachner failed to keep the Petitioner advised that maintenance fees were due for the Subject Patent, and that Tachner failed to keep the Petitioner advised that the Subject Patent had lapsed due to the failure to pay necessary maintenance fees, regardless of whether such failures were caused by deception, by the mental condition of his assistant, Janis Foreman, or otherwise.
5. That during the Critical Period, the Petitioner did not receive notice that the Subject Patent nor other patents of the Petitioner had lapsed.
6. That during the Critical period, Tachner intentionally concealed the failures of his office regarding the payment of maintenance fees for the Subject Patent such that the Petitioner was deprived of an opportunity to cure the consequences of the failure of Tachner and his office, such that Tachner's error should not be charged to the Petitioner.
7. That Office takes the position that the Petitioner has yet to show that it acted diligently during the Critical Period to keep the Subject Patent maintained, due to an apparent failure to

inquire as to the status of the Subject Patent during that period of time.

III. RESPONSE TO REQUEST FOR INFORMATION

Since the date the Petitioner received the first of the Decisions and Requests for Information in the Subject Group of four lapsed patents of which the Subject Patent is one, the Petitioner has engaged in two efforts, which are (1) a thorough search of communications with Tachner and his office, particularly looking for communications that might shed light upon why the Petitioner did not pay the maintenance fees nor notice the expirations of the Subject Patent and other patents within the Subject Group, and (2) preparation of this Response. This search has included written and electronic communications, to the extent that these have been preserved to the present time. I have requested of the Petitioner the communications available that were to or from Tachner generally, and the Petitioner has provided to me a large number of communications which I have thoroughly examines. I have also questioned the managers of Atomic during the Critical Period, Dean Garraffa and Doug Toth, concerning the communications they had with Tachner.

The Petitioner wishes to be fully informative as to any substantive communication that could provide light upon the issues presently being considered, while at the same time not entering the large body of communications with its patent attorney into the record, thus preserving a claim of attorney-client privilege and not expanding the size of the record beyond what is necessary. With those goals in mind, immediately below is a summary of my findings from these efforts.

In the Petitioner's search and my examination of the results thereof, I have found that the communications during the Critical Period with Tachner fall generally within three categories. These are first: written communications or copies thereof transmitted by mail that are within those of Tachner's files that are now in the Petitioner's hands, second: electronic communications in the form of email and instant message transactions, and third: some miscellaneous documents made without an apparent plan of preservation. Invoices appear in this third group; the Petitioner did not perserve all of the invoices that were sent by Tachner to be paid. It is also apparent from all provided communications that many telephonic transactions were frequently made but were not recorded.

Of the first category, written communications, these are mainly written communications concerning individual applications, both trademark applications and patent applications. From these communications, Tachner apparently had a practice of transmitting filed applications and issued patents by mail with an accompanying letter. A notice to pay maintenance fees appears in Tachner's letters of patent transmittal, so it can be fairly said that the Patentee was placed on notice at the time of issuance that these maintenance fees would become due in future years. Sometime after 2007 and by 2010, well after the issuance of the Subject Patent, Tachner apparently modified his basic form for these letters of patent transmittal that added an additional sentence added after the maintenance fee notice which reads: "We will rely on your notification that you wish us to pay these fees." That sentence was apparently inserted in Tachner's standard form letter to relieve him from liability in the event that fees were not paid, but still held in place any duty Tachner had assumed to docket maintenance fees and request instructions of his client when these fees became due. Other than this notice within the letters of transmittal of issued patents, I have not found any letter advising that maintenance fees were due, or inquiring about or confirming the payment of maintenance fees; there are only invoices that include a charge for the payment thereof.

Of the second category, the electronic communications, it appears that only communications after 2007 were preserved. Of these communications, most of these are from Mr. Garraffa or Mr. Toth and not from Tachner or his assistants. Of those electronic communications from Tachner or his assistants, these are worded in short phrases that provide little information beyond statements regarding receipt of other communications of the Petitioner and nothing concerning the payment of maintenance fees. Exceptional is one email from Janis Foreman to the Petitioner sent in Feb. of 2010 concerning the payment of an issue fee, which references an earlier letter notifying of the due date for that issue fee, the email asking for payment to be sent to Tachner's office. However, even this exception does not make advisement as to maintenance fees.

In some cases the electronic communications express a preference in telephonic conversation over email communication, such as one party asking for a telephone call. It is apparent that conversations between the Petitioner and Tachner regarding actions to be taken regarding the maintenance of patents and prosecution of patent applications were mainly vocal, that is over the telephone or in-person, and that beyond the payment of invoices and an occasional non-verbal

communication, no record remains within the body of communications that I have been provided with of instructions to Tachner regarding instructions to pay or not to pay maintenance fees during the Critical Period.

In its Decision, the Patent Office has asked specifically for invoices pertaining to the annual fees for the two applications filed in the EPO labeled E1 and E2 specifically in 2004 and years following the payment of the 2004 annuities. The Petitioner has not been able to locate further invoices pertaining to these cases and presumes that if they were received, they are now lost or discarded.

The Petitioner regrets that it cannot be directly responsive to the request of the Office. In an effort to service the goal of meeting the intent of that request, the Petitioner has had me conduct this investigation and provide the above report. It is hoped that the Petitioner's report in conjunction with the explanations and arguments below will meet what is believed to be the intent of the request of the Office, in determining why an inquiry was not made during the Critical Period.

IV. ARGUMENT

The Petitioner recognizes that the “reasonably prudent person standard” applies to decisions regarding whether to reinstate expired patents, in that a patentee must show that it acted “reasonably and responsibly” to keep a patent maintained. However, this is not a ubiquitous standard.

The Office has recognized that all patentees should not be treated in the same position with regard to patent maintenance. In the Lonardo decision discussed in the Petitioner's petition of December 2011, for example, the Office recognized that patentees are placed in a different position when “an attorney intentionally conceals a mistake he has made, thus depriving the client of a viable opportunity to cure the consequences of the attorney's error” such that “the situation is not governed by the rule stated in Link for charging the attorney's mistake to his client”. Thus the Office has previously recognized two categories of patentees: those in a position where no deception occurred, upon which a strict application of the “reasonably prudent person standard” applies, and those that were unaware of the deception of their attorney, for which reliance upon their attorney was reasonable and responsible. For those patentees who were deceived, the standard is relaxed to fit the

particular circumstances those patentees were within, even though all of the steps that would have been required for a fully-informed patentee were not performed.

Thus, the application of the “reasonably prudent person standard” cannot be applied in a uniform way that treats all patentees equally, but must consider the particular circumstances of the patentee. Therefore, a petitioner who desires to reinstate a patent under 37 CFR 1.378(b) must make a showing of what the circumstances were that led to the failure to pay a maintenance fee. The Petitioner now argues that the circumstances of the patentee that should be considered should also include the size of the holder of the patent, or in other words the resources available to the applicable patentee whereby patents that he holds may be maintained.

For a typical reasonably prudent businessperson, most of his activities are managed on a schedule that looks forward one year or less. This conflicts with the maintenance schedule of U.S. Patents, which are essentially on a four-year schedule. This difference introduces an undesirable burden upon a patentee of maintaining a reminder calendar years into the future against the risk of forgetting to pay, for which a reasonable and responsible businessperson has essentially two solutions to choose from. Either he can assume the burden internally, assigning the duties of docketing to an employee, or he can hire out the task to an outside entity, such as a patent attorney. For a patentee with large resources and many patents it is reasonable to hire a skilled person and purchase software to maintain a docket and make correspondence with the Patent Office for the purposes of patent maintenance. Where a patentee is small, having fewer resources, or where the patents held is few in number, the acquisition of an employee and software specifically for these tasks is beyond reasonable, particularly where there exist reliable outside entities that can perform these tasks at a significantly lesser cost than what the costs would be to manage patent maintenance tasks internally.

For a businessperson who hires out these patent-maintenance tasks, the Petitioner argues that it is reasonable to rely upon an outside entity, provided that prudence is exercised to assure that the tasks of docketing and corresponding for reminders is exercised. It is beyond reasonable doubt that the Petitioner here had arranged with and relied upon Tachner and his office to perform patent-maintenance tasks, including the docketing of due dates to pay maintenance fees and advisements

regarding notices from the Patent Office. For example, in Tachner's Declaration of April 15, 2011, which was filed with the petitions of April 22, 2011, Tachner admitted that it was a departure from his ordinary procedure for his office not to pay maintenance fees for a patent that issued under his care (see para. 2: he didn't consider it suspicious to be told that a client would pay their own maintenance fees.) Additionally, if Tachner had been relieved of the responsibility to pay maintenance fees, he would not be filing declarations concerning the mental state of his assistant: he would have filed a paper, such as a communication from the Petitioner, showing that he had been directed not to docket maintenance fees or to pay them. Furthermore, no change of correspondence address was filed for which notices regarding maintenance fees would be sent to an address other than Tachner's office. The conclusion that Tachner was responsible for the docketing and notification of maintenance fees is supported by the declarations of the managers Garraffa and Toth filed earlier and also by that filed with this paper.

In the Petitioner's reasonable reliance upon Tachner, it was expected that its managers would be relieved from the burden of scheduling the payment of patent maintenance fees, and that Tachner would notify when fees were due. The managers could then focus upon other matters of importance to the business.

The Petitioner has already shown that as of the beginning of the Critical Period, Tachner had already provided the service of docketing patent maintenance fees, notifying when maintenance fees were due, and paying these fees for the Petitioner on several occasions. Tachner was known by the Petitioner to be an attorney registered with the Patent Office, and had handled several patent matters before and several other patent matters for the Petitioner during the Critical Period: Tachner continued to provide services to the Petitioner for the prosecution of patent applications, which resulted in pat. Nos. 7,188,869; 7,181,778; 7,686,032; 7,704,015 and 7,712,793 as well as work for various trademark registrations during the Critical Period.

The Patent Office rules specifically require that persons registered as a patent attorney possess “good moral character and reputation”, and the fact that Tachner was an active patent attorney prior to and during the Critical Period should have been sufficient to a prudent businessperson that his affairs would be managed properly, competently, and without deception. (See 37 CFR 11.7(a)(2).)

Thus, by the applicable rules, the public has a reasonable expectation that if a person appears on the list of registered practitioners, he can be relied upon to provide the service he offers, absent some evidence to the contrary. This should be an important factor in determining whether reliance upon a particular practitioner was reasonable and prudent.

There is no regulating body that a patent-holder can reasonably turn to other than the Patent Office for information as to the reliability of an attorney in the performance of maintaining patents. Therefore, for his decision of who to hire a patentee is left with (1) whether an attorney holds registration with the Patent Office, (2) whether the attorney regularly performs services before the Patent Office, (3) whether the attorney holds good standing with any state bar organizations and (4) whatever information happens to be available to the patentee as to the attorney's reputation. During the Critical Period, Tachner was known to be registered with the Patent Office, provided services for the Petitioner before the Patent Office, was known to be an attorney practicing in California and holding a license there, and the managers of the Patentee had known Tachner from their prior employment as a patent attorney having a good reputation. The records of the Patent Office show that Tachner continued to provide services to the Petitioner for the prosecution of patent applications, which resulted in pat. nos. 7,188,869; 7,181,778; 7,686,032; 7,704,015 and 7,712,793 as well as work for various trademark registrations during the Critical Period. Therefore, it was quite rational and reasonable for the Patentee to rely upon Tachner to manage its patent maintenance fees during the Critical Period, which was again before the discovery of Tachner's misperformance and deceptions.

As to the size of the Petitioner, it has already been shown that it was small in size, with partners Dean R. Garraffa and Douglas J. Toth and acting in management capacity. Of the Petitioner's patents, many list managers Garraffa and Toth as inventors. Thus it is evident, from the Petitioner's presents to date that the size of the business was small and managers Garraffa and Toth were occupied with both product design, product production and business management.

Nevertheless of the Petitioner's prior showing, a Supplemental Declaration is provided herewith that establishes during the Critical Period (1) that managers Garraffa and Toth were the Petitioner's principal product designers and decisionmakers supported by not more than 20 other persons

employed mainly in product manufacturing and services related to sales and shipping, and Atomic was therefore a smaller business, (2) that managers Garraffa and Toth relied upon the expertise of others to manage specific business aspects of Atomic, including an accountant and Tachner for patent and trademark issues, (3) and that the tasks of calendaring and paying maintenance fees had been assigned to Tachner so that the managers Garraffa and Toth could focus upon other vital tasks for the purpose of ensuring the success of Atomic as a business. Having made this supplemental showing, it should be clear that the Petitioner's reliance upon Tachner during the Critical Period for patent maintenance was both reasonable and prudent given the resources available.

The Petitioner was not made aware of Mr. Tachner's misperformance, incompetence or deception until after the end of the Critical Period, upon which the client took immediate action to correct its error. Prior to that time, it was believed that the affairs of the Petitioner were being managed in a competent manner and no one managing those affairs had the information needed to cause selection to be made of another outside entity for the payment of maintenance fees and the revival of expired patents. The selection of another practitioner would have been the reasonable and prudent thing to do, but only if the information was reasonably available to the patent-holder to cause such action to be taken, which for this Petitioner it was not.

One might argue that the Petitioner should have been focusing attention upon the due dates for maintenance fees. However, this is precisely why it hired an attorney practitioner: it expected that a docket would be maintained and reminders would be provided, and further it could avoid the duplication of effort in keeping an internal docket in parallel with the docket of an outside service. Thus, even if the Petitioner had been advised at the time of issuance that future maintenance fees would be due, the performance of additional steps such as maintaining its own docket, calendaring reminders internally and performing regular inquiries directed at its attorney would defeat the purpose of hiring a patent attorney to perform the tasks of docketing and providing reminders when those fees were due. It was therefore reasonable and prudent to rely upon Tachner or an another outside service having a good reputation for patent maintenance, including being given reminders to pay maintenance fees.

The Patent Office has asked specifically for invoices pertaining to the annual fees for the two applications filed in the EPO labeled E1 and E2 specifically in 2004 and years following the payment of the 2004 annuities. The fact that invoices from 2004 to the present that concern annuities for E1 and E2 are not available does shed significant light on the diligence of the Petitioner: even if invoices had been received that had informed of annuities that would be due in coming years, that would confirm the reasonableness of the Petitioner's reliance on Tachner to provide notice when maintenance fees for its U.S. patents were due. However, even if the Petitioner were to show payment or non-payment of these annuities, those were independent matters and would have little bearing upon the Petitioner's expectation to be noticed or invoiced for the maintenance fees of its U.S. patents in any particular year.

Finally, there is no duty recognized that a patentee retain communications regarding the payment of maintenance fees, and the absence of these should not reflect negatively upon the Petitioner, particularly where other evidence has been submitted that should satisfactorily meet the applicable standard for revival.

V. CONCLUSION

The Petitioner acted reasonably and with prudence to keep the Subject Patent maintained, because (1) it was too small to reliably manage the payment of patent maintenance fees internally, (2) it hired an outside entity, Tachner, who the Petitioner knew to have a reputation of reliability with respect to docketing maintenance fee due dates and communicating with clients to manage the payment of maintenance fees, (3) it is reasonable and prudent to hire an apparently responsible outside entity for docketing and managing maintenance fee payments, as was done by the Petitioner, (4) it is reasonable and prudent to wait for notice from such an outside entity that maintenance fees are due, (5) that Tachner, the outside entity hired by the Petitioner, deceived his client into believing that all necessary actions had been taken to keep the Subject Patent maintained during the Critical Period, (6) no inquiry was made as to the status of the Subject Patent or what fees were due at any particular time in reliance upon the service of Tachner, and (7) it was reasonable and prudent to rely upon Tachner as an outside service for the docketing and management of the payment of patent maintenance fees.

Now having complied with all the requirements under 37 CFR 1.378(b), the Patentee requests reinstatement of the Subject Patent. Should there be any questions, please contact Mr. Robinson at the number below. Thank you.

Respectfully submitted this 25th day of April, 2013.

/Everett D. Robinson/

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